A7000-1

April 1986

Outlook for the Economy and Real Estate

Forecasting & Policy
Analysis Division
NATIONAL ASSOCIATION OF REALTORS®
777 14th Street, N.W.
Washington, D.C. 20005

The Outlook For the Economy and Real Estate

It appears that growth has been fairly weak so far this year with real GNP growth of only 2.5 percent expected for the first quarter of 1986. A persistently large trade deficit played a major role in dampening overall economic activity. Domestic producers, unable to compete against cheap imports in international markets, continue to experience losses in profits and employment. Many have had to cut back on the amount of plant capacity used resulting in a decline in the manufacturing capacity utilization rate since January. Auto sales have also remained weak since January, mainly due to expiration of cut rate financing incentives. In response, the auto industry has begun to cut back on production in attempts to reduce swelling inventories. Further, the government will spend less this year in order to reach deficit targets imposed by Gramm-Rudman-Hollings. These constraints on production and spending should continue to restrain real growth in output to 3.1 percent in the second quarter. However, during the second half of 1986, the sharp declines in imported oil prices, a further depreciation of the dollar and continued declines in long-term interest rates are expected to provide a much-needed stimulus, boosting real GNP growth to 3.5 percent. For all of 1986, real output growth should increase almost 2.5 percent, the second consecutive year of below average growth. The rebound late in 1986 is unlikely to be sustained and growth should again begin to weaken by late 1987. For all of 1987 growth should increase about 3 percent.

As the year progresses, consumer spending should strengthen considerably despite record levels of consumer debt and an already anemic savings rate. Currently, the only area of consumer spending recording any gains has been services while spending on durable and nondurable goods has been declining. By mid-year, however, spending on goods should start to increase as lower prices for imported oil positively impact real (inflation-adjusted) personal income and net worth of consumers. Simply, consumers will spend less on oil and oil-related products leaving more money in their pockets for consumption of other goods and services. In addition, lower oil prices have and will continue to lead to a downward revision of inflation expectations resulting in further declines in long-term interest rates. Lower interest rates, which have already provided a strong stimulus to the housing sector, should continue to boost spending in the interest sensitive industries of consumer durables and housing through 1986. Further, debt burdens that currently restrain spending should be substantially reduced as long-term obligations are refinanced at these lower interest rates. Finally, rising confidence that real profits will increase given a lower level of inflation has contributed to a sustained rally in the stock market resulting in a rise in household net worth. This will enlarge the pool of funds needed to support consumer spending through 1986.

However, lower oil prices will not benefit everyone. Both domestic and foreign corporations that are heavily dependent on the energy sector should be especially hard hit as lower oil prices reduce profits and employment through 1987. Banks holding loans for energy companies and energy related products will also be financially strained.

The U.S. trade deficit is expected to shrink later this year given recent declines in the value of the dollar relative to other currencies. Over the past few years, a strong dollar has made goods and services produced outside the U.S. relatively cheaper than their domestic counterparts. As a result, import demand has flourished while export demand has weakened considerably. Because U.S. imports have far exceeded exports, a negative merchandise

trade balance or trade deficit has resulted. This trade deficit reached 150 million dollars in 1985. However, the continued depreciation in the dollar through 1986 is expected to improve the competitive position of domestic producers by reducing the cost of U.S. goods and services in international markets while raising the cost of imported goods and services for U.S. consumers and businesses. Over the past 12 months the dollar has depreciated 30 percent. As import prices rise relative to our exports, demand for U.S. goods abroad will intensify; thus increasing exports. At the same time, Americans will be encouraged to buy American-made goods; thus dampening U.S. demand for imports. This already has had some positive impact on the trade deficit in February as the monthly trade deficit of $12.5 billion was $1.5 billion less than the $14 billion trade deficit reported in January. While some of this decline may be due to seasonal adjustments, the merchandise trade deficit is expected to contine to slowly shrink through 1986 as export growth outpaces growth in imports providing a major stimulus to economic activity during the last half of the year.

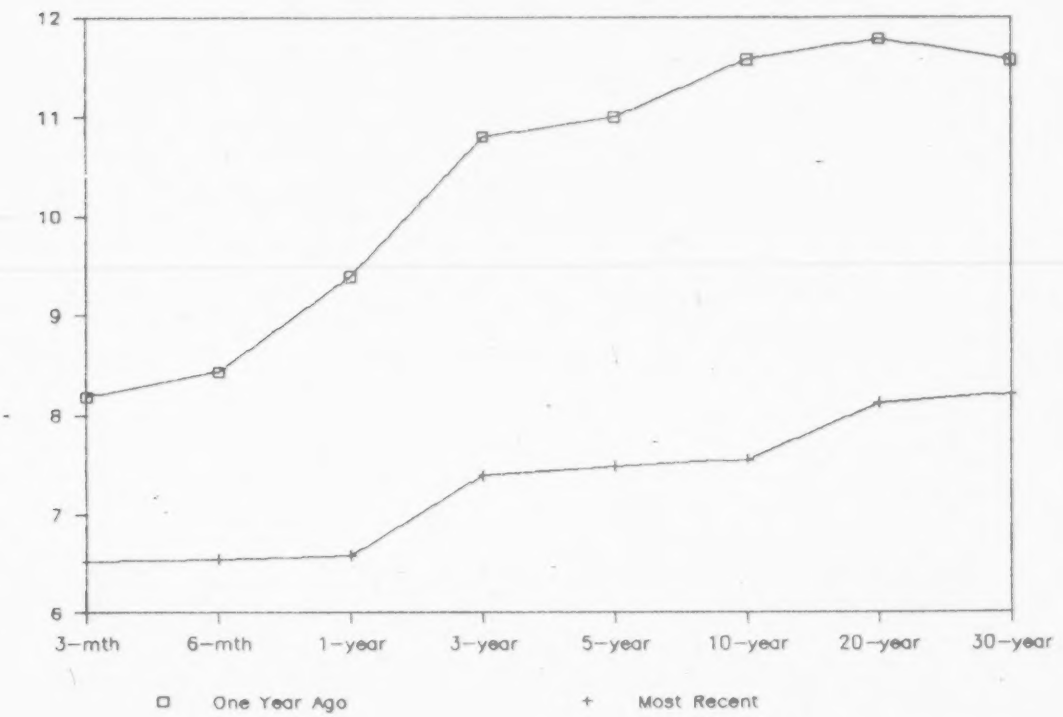
The short-term outlook for inflation remains favorable. The sharp decline in imported oil prices was largely responsible for the decline of 0.4 percent in the Consumer Price Index (CPI) in February, the largest monthly fall in 32 years. In addition, the Producer Price Index (PPI) has declined by 2 percent over the past two months. The decline in oil prices is likely to promote further easing of inflation this year as lower oil prices work their way through the economy. In fact, for 1986, we anticipate an increase in the CPI of only 2.5 percent, down from 3.5 percent in 1985. This should help future inflation as well by reducing wage demands. However, the decline in the price of oil provides only a one-time slowing of inflation. Once lower oil prices have worked their way through the economy, underlying inflationary forces should become apparent. For example, excluding the food and energy sector the CPI actually increased at an annual rate of 4 percent in February reflecting rising inflation in the service sector. By 1987, the downward pressure on prices from earlier declines in oil prices will have dissappeared, and the upward pressure on prices from a declining dollar will dominate. Therefore, by next year a modest reacceleration of inflation is expected with the CPI increasing 3.2 percent in 1987 and 4.0 percent in 1988.

The civilian unemployment rate edged down slightly to 7.2 percent in March. Yet, it still remains well above the 6.7 percent rate recorded last January. A modest 190,000 increase in total nonagricultural employment in March was entirely attributable to strength in the service sector while employment in the goods-producing sector actually declined by 42,000 workers. Some of the decline in manufacturing employment reflect losses in the energy producing sectors. But a majority of the decline in employment in the goods producing sector underscores the persistent shift in demand away from domestically produced goods towards services and relatively cheaper foreign produced imports. The employment figure was another sign that the drop in the value of the dollar would not benefit domestic producers right away. It will take time for the manufacturing sector to respond to the increased demand for domestically produced goods that is expected to occur later this year as the dollar continues to depreciate. Therefore, growth in employment is expected to remain flat through 1986 holding the unemployment rate near 7.0 percent.

The outlook for interest rates remains bright. A confident bond market continues to rally pushing long-term government bond rates to below 7.5 percent, a little over one and a half percentage points above the 3 month Treasury bill rate. A year ago this spread between long- and short-term interest rates was three and a half percentage points. The convergence between long- and short-term rates underscores confidence among investors that inflation is moderate and not likely to accelerate and that the deficit

problem could soon be diminished as evidenced by passage and partial implementation of Gramm-Rudman-Hollings. This is evident in the substantial flattening of the yield curve as seen in Figure 1. Interest rates are expected to continue to trend downward through the end of 1986 with some further easing by the Federal Reserve Board (FED) likely in the next few months. However, rates should stabilize in 1987 due to a somewhat stronger economy and signs of increasing inflation. By late 1987, a rebound in inflation coupled with a weakening economy will pose a difficult challenge to the FED. A tighter stance by the FED in order to prevent acceleration of inflation would be inconsistent with the need for lower interest rates to stimulate the economy.

Figure 1
Yield Curve



Real Estate Markets

With mortgage rates already reaching single digits in some areas, affordability has greatly improved, providing a strong stimulus to the housing industry. The NAR Affordability Index remained above 100 for the third consecutive month in February. During the last three months alone housing affordability has been better that at any other time during the last seven years. In February, existing home sales remained near 3.3 million units. As mortgage rates continue to fall over the course of the year, over 3.5 million existing homes are expected to be sold for all 1986, up 10.1 percent from 1985. The outlook for housing starts remains mixed. Single-family housing starts, which currently exhibit strong monthly gains, are expected to fare quite favorably this year as affordability improves and builders remain optimistic about economic growth. For all of 1986, 1.2 million single family units should be started. Multi-family starts, on the other hand, after experiencing a volatile year in 1985, should remain near 700,000 as uncertainty over tax reform chills this market despite the significant declines in financing costs.

Table 1

APRIL 1986

U.S. ECONOMIC OUTLOOK

	QUARTERS								YEARS				
	Actual		Forecast						Actual		Forecast		
	1985.3	1985.4	1986.1	1986.2	1986.3	1986.4	1987.1	1987.2	1984	1985	1986	1987	1988
AGGREGATE ECONOMY													
Gross National Product (billions of dollars)	4016.9	4059.3	4120.9	4170.2	4226.2	4287.5	4350.8	4415.3	3774.7	3988.6	4201.2	4448.3	4720.8
% Change	5.8	4.3	6.2	4.9	5.5	5.9	6.0	6.1	11.0	5.7	5.3	5.7	6.1
% Change (w/out inflation)	3.9	0.7	2.5	3.1	3.5	3.6	3.3	3.2	6.6	2.2	2.5	3.1	3.9
Consumption	4.6	0.1	2.2	3.5	2.4	2.1	2.2	1.5	4.4	3.3	2.4	1.9	1.9
Durables	24.3	-13.3	2.5	5.8	3.8	1.1	2.8	-0.6	12.4	8.4	2.7	1.3	2.3
Nondurables	1.5	0.6	2.0	3.1	2.2	2.3	2.1	1.8	3.4	2.3	2.0	2.0	1.9
Services	1.4	4.4	2.3	3.1	2.2	2.3	2.1	1.8	3.0	2.5	2.6	2.8	1.9
Residential Investment	8.5	5.7	15.8	15.3	7.2	4.3	0.9	-1.8	13.2	1.7	10.5	1.8	-2.5
Nonresidential Investment	2.4	11.3	3.5	4.8	5.1	4.8	5.1	4.3	19.5	9.7	5.8	4.7	4.7
Structures	1.2	7.2	1.9	4.3	5.3	4.9	5.0	5.5	14.7	11.4	4.1	4.9	3.7
Equipment	3.0	13.5	4.4	5.0	5.0	4.7	5.2	3.7	22.2	8.8	6.8	4.6	5.2
Exports	5.1	6.6	3.7	6.6	6.2	6.0	7.1	7.7	6.2	-3.0	3.1	7.1	8.2
Imports	12.8	24.5	3.8	1.5	-0.1	-0.3	-0.7	-0.8	22.8	2.7	8.0	-0.8	-0.7
Government Purchases	18.2	9.2	-7.9	-7.1	-2.1	0.2	0.4	0.2	4.3	6.0	0.3	-0.5	0.8
Contribution to GNP Growth													
Consumption	3.0	0.1	1.4	2.2	1.6	1.4	1.4	0.9	2.2	1.9	1.7	0.8	1.7
Residential Investment	0.4	0.3	0.7	0.7	0.4	0.2	0.0	-0.1	0.2	0.3	0.5	-0.1	0.0
Nonresidential Investment	0.3	1.4	0.5	0.6	0.7	0.6	0.7	0.6	1.9	0.8	0.6	0.6	0.7
Structures	0.1	0.3	0.1	0.2	0.2	0.2	0.2	0.3	0.6	0.4	0.2	0.2	0.2
Equipment	0.3	1.1	0.4	0.4	0.4	0.4	0.5	0.3	1.3	0.5	0.4	0.3	0.5
Inventory Change ($ billions)	-1.9	-0.5	1.7	0.5	0.7	0.6	0.3	0.8	0.4	-1.2	0.9	0.2	0.1
Net Exports	-2.1	-2.3	-0.2	0.4	0.6	0.6	0.8	0.9	-1.5	-1.2	0.4	1.0	0.7
Government Purchases	3.4	1.8	-1.7	-1.5	-0.4	0.0	0.1	0.0	1.5	1.5	-0.9	0.0	0.2
Mfg. Capacity Utilization Rate	80.3	80.1	79.8	79.9	80.1	80.5	80.7	81.0	80.8	80.3	80.1	80.8	81.5
Personal Income Per Household	40,040	40,616	40,921	41,252	41,604	41,956	42,401	42,791	37,077	39,143	40,816	42,624	44,883
% Change -- Year Ago	3.7	3.8	3.6	3.9	3.9	3.3	3.6	3.4	5.4	5.6	4.3	4.4	5.2
Personal Taxes Per Household	6,049	6,156	6,154	6,228	6,308	6,387	6,384	6,468	5,264	5,855	6,176	6,453	6,980
% Change	1.3	1.8	-0.0	1.2	1.3	1.3	-0.0	1.3	12.2	11.2	5.5	4.5	8.2
% of Personal Income	15.1	15.2	15.0	15.1	15.2	15.2	15.1	15.1	14.2	15.0	15.1	15.1	15.6
Disposable Personal Income Per Household	33,992	34,460	34,767	35,024	35,297	35,569	36,017	36,323	31,813	33,288	34,640	36,171	37,903
% Change -- Year Ago	3.5	3.6	4.3	2.7	3.8	3.2	3.6	3.7	5.2	4.6	4.1	4.4	4.8
Employment (millions) (civilian-household basis)	115.5	116.2	116.5	116.9	117.2	117.6	118.0	118.3	113.5	115.5	117.0	118.5	119.6
% Change	1.1	2.4	1.2	1.2	1.3	1.2	1.3	1.2	1.8	1.7	1.3	1.2	1.0
Unemployment Rate (%) (civilian)	7.2	7.0	7.0	7.0	7.0	6.9	6.9	7.0	7.5	7.2	7.0	7.0	6.8
Consumer Prices (CPI)	2.3	4.1	1.2	2.1	2.7	2.9	3.3	3.5	4.3	3.5	2.5	3.2	4.0
GNP Deflator	2.9	3.3	3.8	1.7	1.9	2.3	2.6	2.8	4.1	3.3	2.8	2.5	3.3
Personal Cons. Inflation	2.2	4.4	1.4	2.1	2.6	2.8	3.2	3.4	4.1	3.2	2.6	3.1	3.8
Residential Construction	1.1	5.7	3.1	2.2	2.2	2.6	3.2	3.3	4.2	1.9	2.9	3.0	4.2
Nonresidential Const. Inflation	1.2	0.8	1.8	2.1	2.6	3.1	3.9	4.0	0.5	1.4	1.7	3.5	4.0
Producer Price Inflation	-0.8	4.7	-3.6	0.7	2.1	2.9	4.2	4.2	2.1	0.9	0.5	3.5	5.2
Before-Tax Corporate Profit	228.6	239.8	227.9	243.3	251.5	259.2	266.6	277.1	237.6	226.8	245.5	278.6	305.4
Corporate Tax Liability	87.5	90.3	84.6	91.6	95.0	98.3	101.4	106.1	93.6	85.9	92.4	106.6	117.8
After-Tax Profits	141.1	149.5	143.3	151.7	156.5	160.9	165.2	171.0	144.0	140.9	153.1	172.0	187.6
Inventory Valuation Adjustment	-4.7	-10.1	-9.5	-8.5	-13.2	-13.9	-16.9	-17.8	-5.4	-0.6	-8.5	-18.9	-26.6
Capital Consumption Allowance	75.9	79.4	85.2	91.3	97.0	102.4	107.4	112.3	41.0	70.9	94.0	114.9	133.7
Federal Tax Receipts (NIPA)	790.7	806.2	811.6	825.6	837.4	849.0	859.6	872.4	725.1	785.4	830.9	876.9	926.7
% of GNP	19.7	19.9	19.7	19.8	19.8	19.8	19.8	19.8	19.2	19.7	19.8	19.7	19.6
Federal Expenditures (NIPA)	992.0	1030.4	1022.1	1010.5	1011.5	1016.3	1032.0	1039.3	898.0	984.7	1015.1	1043.6	1083.0
% of GNP	24.7	25.4	24.8	24.2	23.9	23.7	23.7	23.5	23.8	24.7	24.2	23.5	22.9
Deficit (NIPA)	-201.3	-224.2	-210.5	-184.9	-174.1	-167.3	-172.4	-166.9	-172.9	-199.3	-184.2	-166.7	-156.3
% of GNP	5.0	5.5	5.1	4.4	4.1	3.9	4.0	3.8	4.6	5.0	4.4	3.8	3.3
% of Net Domestic Savings	67.7	72.7	64.0	58.5	55.0	52.0	51.6	49.0	49.2	58.9	54.2	48.2	48.5

Source: Forecast produced using Laurence H. Meyer and Associates' model of the U.S. economy.
Assumptions and simulations by Dr. Richard Peach, Janemarie Mulvey, and Sean Burns.

REAL ESTATE AND FINANCIAL MARKETS

	QUARTERS							YEARS				
	Actual		Forecast					Actual		Forecast		
	1985.3	1985.4	1986.1	1986.2	1986.3	1986.4	1987.1	1987.2	1984	1985	1986	1987	1988
REAL ESTATE MARKETS													
Total Single-Family Home Sales	4,377	4,542	4,559	4,758	4,808	4,772	4,798	4,798	3,933	4,255	4,724	4,764	4,661
(single-family resales and completions)													
Percent Change -- Year Ago	17.2	18.6	13.3	16.6	9.9	5.1	5.3	0.9	4.9	8.2	11.0	0.9	-2.1
Existing Single-Family Sales (1000's)	3,360	3,500	3,390	3,579	3,618	3,581	3,615	3,632	2,866	3,215	3,542	3,602	3,518
Percent Change -- Year Ago	21.6	24.4	14.7	17.6	7.7	2.3	6.6	1.5	5.5	12.2	10.1	1.7	-2.3
Dollar Volume (billions)	310.5	358	337.9	368.3	384.3	366.5	392.5	407.5	247.1	290.9	364.3	403.5	425.5
Existing Home Prices - Median ($1000's)	76.6	75.0	77.4	79.0	80.5	78.7	81.6	83.3	72.4	75.1	78.9	83.2	87.4
Percent Change Year - Ago	4.6	4.2	4.9	5.0	5.1	5.0	5.4	5.5	3.6	4.3	5.1	5.4	5.0
Monthly Mortgage Payment (P&I, 80% 30 yr.)	614	562	523	498	484	462	476	483	665	611	492	476	497
Percent of Median Family Income	28.2	25.5	23.5	22.2	21.4	20.3	20.6	20.8	32.0	28.4	21.9	20.4	20.4
Housing Starts	1,687	1,773	1,900	1,928	1,955	1,963	1,943	1,905	1,763	1,741	1,936	1,895	1,816
% Change	12.0	5.1	7.2	1.5	1.4	0.4	-1.0	-1.9	3.4	-1.2	11.2	-2.1	-4.2
Single-Family Units	1,048	1,074	1,204	1,215	1,226	1,228	1,219	1,202	1,099	1,072	1,218	1,198	1,178
Percent Change	-7.4	2.5	12.2	0.9	1.0	0.1	-0.7	-1.4	3.3	-2.5	13.6	-1.7	-1.6
Multi-Family Units	639	699	695	713	728	734	723	703	663	668	718	697	637
2-4 Family Units	89	79	81	85	87	88	86	84	121	93	85	83	76
% Change	-41.2	-10.8	2.1	5.2	2.2	0.8	-1.5	-2.9	7.0	-23.4	-8.0	-2.3	-8.6
5+ Family Units	550	619	614	628	641	646	636	619	541	575	632	613	560
% Change	-14.5	12.7	-0.9	2.3	2.1	0.8	-1.5	-2.8	2.8	6.2	9.9	-3.0	-8.6
Mobile Homes Shipped	284.7	287.7	304.2	306.0	307.9	308.5	308.0	306.3	294.8	282.9	306.7	306.0	307.0
New Single-Family Home Sales (1000's)	711	692	712	723	756	747	748	756	636.8	687.5	734.5	747.3	737.3
Percent Change -- Year Ago	1.8	6.5	7.2	10.6	6.3	7.9	5.1	4.6	6.1	8.0	6.8	1.7	-1.3
New Home Prices -- Median ($1000's)	82.8	87.1	88.3	89.8	91.3	92.5	93.2	94.5	80.0	84.2	90.5	95.3	101.2
Percent Change -- Year Ago	1.8	8.5	6.5	6.9	10.2	6.2	5.5	5.2	6.0	5.2	7.5	5.3	5.2
New Home Prices--Mean ($1000's,Quality Adjusted)	104.3	106.4	102.0	105.1	105.9	109.1	104.6	108.1	96.8	104.0	105.5	108.6	113.3
Percent Change -- Year Ago	7.3	7.5	0.8	1.0	1.5	2.5	2.5	2.8	6.6	7.4	1.4	2.9	4.3
NAR Affordability Index	90.8	99.3	106.2	110.3	112.4	116.4	120.9	120.0	89.1	95.5	111.3	121.5	122.4
Mortgage Debt Outstanding ($ billions)	2,224	2,386	2,334	2,398	2,466	2,535	2,603	2,670	1,948	2,202	2,434	2,703	2,966
Housing Inventory (millions)	95.4	95.8	96.5	96.8	97.3	97.8	98.3	98.8	93.4	95.2	97.0	99.0	100.9
Rental Vacancy Rate(%)	6.8	6.7	6.7	6.8	6.9	6.8	6.8	6.8	5.8	6.5	6.8	6.8	6.7
Office Vacancy Rate (%)<1>	16.2	16.5	16.6	16.8	16.8	16.9	17.0	16.8	13.9	16.0	16.8	16.8	16.4
Industrial Vacancy Rate (%) <1>	4.6	4.9	4.9	4.8	4.6	4.5	4.3	4.3	4.7	4.7	4.7	4.3	4.0
New Commercial Building Construction (% Ch)	59.8	61.6	12.8	5.5	7.8	-15.7	-11.0	-17.1	47.8	60.0	2.6	-9.9	2.5
New Industrial Building Construction (% Ch)	15.4	16.3	-4.9	5.1	8.0	3.5	5.4	1.5	13.7	15.8	2.9	3.4	10.0
FINANCIAL MARKETS													
Money Supply (M1)(% change)	15.3	11.0	7.1	7.7	8.0	7.4	6.2	5.3	7.0	9.1	9.3	6.4	5.6
Velocity of M1 (% change)	8.2	6.1	0.8	2.6	-2.3	-1.4	-0.2	0.7	3.7	-3.1	-3.7	-0.7	0.7
Value of the U.S. Dollar (Trade-Weighted Index)	139.2	128.2	119.0	113.0	111.9	110.7	109.6	108.5	138.3	143.2	113.6	107.7	103.9
Percent Change	23.9	-28.1	-25.8	-18.7	-4.0	-4.0	-4.0	-4.0	10.4	3.5	-20.7	-5.2	-3.6
Flow of Funds (NIA Basis)													
(Billions of dollars,saar)													
Sources:(total gross savings)													
Private Saving	682	697	728	722	729	741	762	778	693	695	730	783	842
Personal Saving	103	115	122	114	110	107	114	113	173	129	113	112	110
Savings Rate	3.7	4.0	4.2	3.9	3.7	3.6	3.8	3.7	6.5	4.6	3.9	3.7	3.4
Gross Business Savings	579	582	606	608	619	634	648	665	521	566	617	671	733
Federal Deficit	201	-224	211	185	174	167	172	167	173	199	184	167	156
State & Local	57	59	55	56.	56	56	57	57	64	59	56	56	46
Net Foreign Investment	126	-153	-152	136	-139	-140	-142	-142	91	-115	-142	-141	-132
Uses (total gross investment)	666	681	709	731	751	771	788	808	674	669	741	810	865
Nonresidential Investment	474	487	491	497	503	509	515	521	430	472	500	523	547
Structures	166	169	170	171	174	176	178	180	149	166	173	181	188
Equipment	308	318	321	325	329	333	337	340	282	306	327	342	360
Residential Investment	173	176	182	189	192	194	194	194	168	171	189	193	188
Inventory Investment	-2	-6	9	14	19	25	28	35	63	6	17	32	33
Selected Interest Rates (%)													
Mortgage Rates													
30-year Fixed Rate Mortgage<2>	12.1	11.3	10.2	9.5	9.0	8.8	8.8	8.7	13.8	12.2	9.4	8.6	8.4
Real Mortgage Rate	9.2	8.0	6.4	7.8	7.1	6.5	6.2	5.9	9.7	8.9	6.6	6.1	5.1
1-year ARM (without buydown)	9.6	9.5	9.4	9.2	8.8	8.7	8.6	8.1	12.6	10.1	9.0	8.2	7.9
Real Mortgage Rate	6.7	6.2	5.6	7.5	6.9	6.4	6.0	5.3	8.5	6.8	6.2	5.7	4.6
Corporate AAA Bond Rate	11.0	10.6	9.6	8.6	8.2	8.2	7.9	7.7	12.7	11.4	8.6	7.7	7.6
Government Bond Rate	10.7	10.2	8.4	7.6	7.5	7.5	7.3	7.1	12.5	11.0	7.9	7.1	7.0
Real Government Bond Rate	7.8	6.9	4.6	5.9	5.6	5.2	4.7	4.3	8.4	7.7	5.1	4.6	3.7
Federal Funds Rate	7.9	8.1	7.9	7.4	6.9	6.8	6.7	6.5	10.2	8.1	7.3	6.3	6.0
3-month T-Bill Rate	7.1	7.2	6.9	6.4	6.1	6.0	6.0	5.9	9.5	7.5	6.3	5.8	5.7
Real 3-month T-Bill Rate	4.2	3.9	3.1	4.7	4.2	3.7	3.4	3.1	5.4	4.2	3.5	3.3	2.4
1 Year T-Bill Rate	7.9	7.8	7.7	7.5	7.1	7.0	6.9	6.4	10.9	8.4	7.3	6.5	6.2
Real 1-Year T-Bill Rate	5.0	4.5	3.9	5.8	5.2	4.7	4.3	3.6	6.8	5.1	4.5	4.0	2.9
Prime Rate	9.5	9.5	9.4	8.9	8.6	8.6	8.5	8.4	12.0	9.9	8.9	8.2	7.8
Discount Rate	7.5	7.5	7.4	6.9	6.6	6.6	6.2	6.1	8.8	7.7	6.8	6.0	5.9

<1> Historical Data courtesy of Coldwell Banker.
<2> FHA secondary mortgage market rate.

Source: Forecast produced using Laurence H. Meyer & Associates' model of the U.S. economy.
Assumptions and simulations by Dr. Richard Peach, Janemarie Mulvey, and Sean Burns.